

**VIRGINIA MILITARY INSTITUTE
LEXINGTON, VIRGINIA**

**INTERCOLLEGIATE ATHLETIC PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2003**



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INSTITUTE OFFICIALS



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

April 9, 2004

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission

General J.H. Binford Peay III
Superintendent, Virginia Military Institute

INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES

We have audited the financial statements of Virginia Military Institute as of and for the year ended June 30, 2003, and have issued our unqualified report thereon dated April 9, 2004. At the request of the Superintendent of the Institute, we have performed certain agreed-upon procedures to the Institute's Intercollegiate Athletic Programs for the fiscal year ended June 30, 2003, discussed below, solely to assist the Institute in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. The Institute is responsible for the Intercollegiate Athletic Programs including preparation of the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Institute. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs - Agreed-Upon Substantive Procedures

- a. We obtained the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs (Schedule) for the year ended June 30, 2003, as prepared by the Institute and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets, and agreed the amounts on management's worksheets to the Intercollegiate Athletic Department's accounts in the accounting records. We noted no differences between the amounts in the Athletic Department's accounts in the accounting records and the

amounts on the worksheets. We discussed the nature of work sheet adjustments with management and are satisfied that the adjustments are appropriate.

- b. We applied certain analytical review techniques to the balances reported on the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and other tests using operating data and reviews of actual amounts expended in comparison to budgeted amounts.
- c. We vouched each individual contribution received directly by the Institute for its Intercollegiate Athletic Programs that constituted more than ten percent of the contributions so received. Except for contributions received from the Virginia Military Institute Keydet Club and the Virginia Military Institute Development Board (affiliated organizations) we noted no individual contribution, which constituted more than ten percent of total contributions received for Intercollegiate Athletics.

Because the above procedures “a” through “c” do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs or any of the accounts or items referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the specified accounts or items should be adjusted. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletic Department of Virginia Military Institute in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to the Superintendent of the Institute. This report relates only to the accounts and items specified above and does not extend to the financial statements of the Institute or its intercollegiate athletics department taken as a whole.

Internal Control Related to Intercollegiate Athletic Programs - Agreed-Upon Procedures

The management of Virginia Military Institute is responsible for establishing and maintaining internal control for its Intercollegiate Athletic Programs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings are as follows:

- d. We reviewed an organizational chart provided by the Intercollegiate Athletic Department and discussed it with appropriate personnel. We reviewed documentation of accounting systems and operating procedures. We also made certain inquiries of management regarding control consciousness, competence of personnel, and protection of records and equipment.
- e. We reviewed internal control over cash receipts and disbursements, including payroll, for the Intercollegiate Athletic Programs. We reviewed the relationship of internal control over Intercollegiate Athletic Programs to internal control reviewed in

connection with the audit of the Institute's financial statements. Our review also included those controls unique to intercollegiate athletics, which had not been reviewed in connection with the audit of the financial statements.

- f. We reviewed the Institute's procedures for monitoring booster group activities and concluded that those procedures were adequate.

Agreed-upon procedures "d" through "f" applied to certain aspects of the Institute's internal control were more limited than would be necessary to express an opinion on internal control of the Institute in effect for the year ended June 30, 2003, taken as a whole. Because our review and evaluation was limited to applying those agreed-upon procedures, we do not express such an opinion. In connection with applying procedures "d" through "f" above, we noted no material weaknesses relating to internal control over the Intercollegiate Athletic Program activities administered by the Institute.

This report is intended solely for the information and use of the Institute and authorized representatives of the National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

SRS/kva
kva:

VIRGINIA MILITARY INSTITUTE
SCHEDULE OF REVENUES AND EXPENDITURES
OF INTERCOLLEGIATE ATHLETIC PROGRAM
For the Year Ended June 30, 2003

	Football	Basketball	Other Sports	Nonprogram Specific	Total
Operating revenues:					
Ticket sales	\$ 141,713	\$ 28,570	\$ -	\$ 100	\$ 170,383
Guarantees	15,000	120,000	-	-	135,000
Student activity fees	-	-	1,517	1,512,196	1,513,713
Concessions	-	-	-	164,000	164,000
Program sales	13,013	1,570	-	49,163	63,746
Gifts: (Note 2)					
Unrestricted	19,735	13,487	28,207	1,328,749	1,390,178
Restricted	-	34,376	183,498	1,901,804	2,119,678
Endowment fund transfers (Note2)	-	-	-	140,000	140,000
Bowl/conference proceeds	-	-	-	132,195	132,195
License fees	-	-	-	20,251	20,251
Other	1,422	-	-	5,059	6,481
Total operating revenues	190,883	198,003	213,222	5,253,517	5,855,625
Operating expenditures:					
Coaches' salaries and other salaries	570,873	353,905	672,498	688,927	2,286,203
Supplies	15,245	6,776	40,153	54,776	116,950
Equipment purchases	52,160	25,571	116,089	21,110	214,930
Travel:					
Team	81,431	62,980	88,531	3,228	236,170
Recruiting	25,456	19,210	30,643	413	75,722
Other	16,512	18,508	118,929	20,392	174,341
Postal service	983	1,251	254	2,923	5,411
Publicity	-	-	1,912	36,270	38,182
Programs	1,837	1,288	2,328	6,350	11,803
Telephone	16,897	8,403	21,251	27,242	73,793
Medical services	-	-	-	20,166	20,166
Maintenance and general administration	50,588	25,339	40,353	223,648	339,928
Scholarships	-	-	-	1,705,902	1,705,902
Officials	22,281	21,458	20,059	-	63,798
Guarantees	-	17,912	217	1,149	19,278
Insurance	-	-	-	31,159	31,159
Allocated administrative costs (Note 3)	-	-	-	470,874	470,874
Miscellaneous	11,361	9,877	20,898	136,045	178,181
Total operating expenditures	865,624	572,478	1,174,115	3,450,574	6,062,791
Net increase (decrease) for the year	\$ (674,741)	\$ (374,475)	\$ (960,893)	\$ 1,802,943	\$ (207,166)

The accompanying Notes to the Schedule of Revenues and Expenditures of Intercollegiate Athletic Program are an integral part of this schedule.

VIRGINIA MILITARY INSTITUTE

NOTES TO SCHEDULE OF REVENUES AND EXPENDITURES OF

INTERCOLLEGIATE ATHLETIC PROGRAMS

AS OF JUNE 30, 2003

1. BASIS OF PRESENTATION

The accompanying schedule of revenues and expenditures of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. The purpose of this schedule is to present a summary of operating revenues and expenditures of the Intercollegiate Athletic Programs of the Institute for the year ended June 30, 2003. This schedule includes a selected portion of the Institute's activities and is not intended to and does not present either the financial position or changes in net assets for the year then ended. Revenues and expenditures are directly identifiable with each category presented and are reported accordingly. Revenues and expenditures not directly identifiable to a specific sport are reported under the category "Non-Program Specific."

2. AFFILIATED ORGANIZATIONS

The Virginia Military Institute Keydet Club was established in 1948 for the purpose of raising contributions for scholarships to be awarded to athletes of the Institute. The Keydet Club gave the Institute \$1,705,902 for intercollegiate athletic programs during the fiscal year ended June 30, 2003.

The Virginia Military Institute Development Board was established in 1978 by the Virginia Military Institute Alumni Association to implement a comprehensive development program and to coordinate the Institute's various fund-raising activities. The Board provides support to VMI from cash donations and income from its endowment. For fiscal year 2003, VMI received \$1,270,000 from the Board's unrestricted endowment which is shown on the Schedule as Unrestricted Gifts. Additionally, the Development Board provided \$418,594 from their restricted endowments in support of Intercollegiate Athletics.

3. ADMINISTRATIVE COST RECOVERIES

The Institute recovers from each auxiliary enterprise an amount to reimburse for the cost of institutional support and the operation and maintenance of plant. For fiscal year 2003, the Institute recovered \$270,095 of institutional support costs and \$200,779 of operation and maintenance of plant costs. These costs are charged to a non-program specific category and are not allocated among the different athletic programs.

VIRGINIA MILITARY INSTITUTE
Lexington, Virginia

BOARD OF VISITORS
As Of June 30, 2003

Jean Clary Bagley	G. Gilmer Minor, III
Waverley L. Berkley, III	Bruce C. Morris
Richard Cullen	William A. Paulette
Bruce C. Gottwald	S. Waite Rawls, III
Darryl Keith Horne	Dr. Sue Ellen Rocovich
Dennis A. Johnson	Dr. Jay R. Sculley
Robert L. McDowell	Maj. Gen. Claude A. Williams
T. Carter Melton, Jr.	Donald M. Wilkinson

Samuel B. Witt, III

ADMINISTRATIVE OFFICERS

Brigadier General Robert L. Green, Acting Superintendent

Donald T. White, Athletic Director